

**Supporting Statement for
Royalty Oil Sales to Eligible Refiners (30 CFR 208.4(a) and (d))
(OMB Control Number 1010-0119)
(Expiration Date: November 2002)**

A. Justification

1. What circumstances make this collection of information necessary?

The Secretary of the U.S. Department of the Interior (DOI) is responsible for collecting royalties from lessees who produce minerals from leased Federal and Indian lands. The Secretary is required by various laws to manage mineral resources production on Federal and Indian lands, collect the royalties due, and distribute the funds in accordance with those laws. The product valuation determination process is essential to assuring that royalty payments are based on the proper value of the minerals removed.

The Minerals Management Service (MMS) performs the royalty management functions for the Secretary. When a company or an individual enters into a lease to explore, develop, produce, and dispose of minerals from Federal or Indian lands, that company or individual agrees to pay the lessor a share (royalty) of the value received for production from the leased lands. Royalty rates are specified in the lease instrument. The lease creates a business relationship between the lessor and the lessee. The lessee is required to report various kinds of information to the lessor relative to the disposition of the leased minerals. Such information is similar to data reported to private and public mineral interest owners and is generally available within the records of the lessee or others involved in developing, transporting, processing, purchasing, or selling of such minerals. The information collected includes data necessary to assure that the royalties are paid appropriately.

Royalties may be paid "in value" or "in kind." The regulations at 30 CFR part 208 (Attachment 1) govern the Federal oil royalty-in-kind (RIK) program for small refiners. The regulations state:

The Secretary may evaluate crude oil market conditions from time to time. The evaluation will include, among other things, the availability of crude oil and the crude oil requirements of the Federal Government, primarily those requirements concerning matters of national interest and defense. The Secretary will review these items and will determine whether eligible refiners have access to adequate supplies of crude oil and whether such oil is available to eligible refiners at equitable prices. Such determinations may be made on a regional basis

MMS, on behalf of the Secretary, performs Determinations of Need prior to issuing a Notice of Availability of Sale in the Federal Register advising industry of a forthcoming RIK sale. The first step in the evaluation process is to issue a Federal Register notice announcing that we are seeking input from eligible refiners. We request specific information on the location of their refinery; desirability of offshore versus onshore crude; type of crude desired (e.g., Wyoming

Sweet); ability to obtain long-term supply of desired crude (with supporting documentation such as “denial” by major supplier); ability to obtain desired crude at fair market prices (with supporting documentation that desired oil was not available or equitably priced for the area or region in question), percentage of total refining capacity attributable to Federal oil versus other sources; etc.

We changed the title of this information collection request (ICR) from “Royalty-in-Kind (RIK) Determination of Need” to “Royalty Oil Sales to Eligible Refiners (30 CFR 208.4(a)(d)).” The title change clarifies the regulatory language we are covering in this ICR.

2. How, by whom, and for what purpose will the information be used?

MMS uses the feedback from refiners (or other interested parties, like lease owners or operators) to assess current marketplace conditions, i.e., whether small, independent refiners have access to ongoing supplies of crude oil at equitable prices. If MMS determines that small refiners do not have adequate access to crude oil supplies, we will take the Government’s royalty oil in kind and offer the oil for sale to small refiners.

3. Does the collection involve the use of information technology, does it reduce burden, and to what extent?

While we anticipate some companies will choose to provide hardcopy feedback to this information collection, we allow potential respondents the option of using electronic mail in an effort to reduce their administrative burden.

4. Is the information duplicated by any other Federal agency, and can similar information be used or modified for this collection?

The information to be collected is not available on current MMS data files. Current oil RIK lessees and operators provide monthly royalty and production reports conveying royalty oil value and volume information, but these data do not provide the discrete, qualitative marketplace information sought by this collection effort. No other Federal agency collects this information.

5. What is the agency doing to minimize the burden on small businesses or other small entities?

This collection of information will impact “small businesses” because the RIK program, by definition, involves small, independent refiners. Eligible refiners are defined at 30 CFR 208.2 which states:

- (1) For the purchase of royalty oil from onshore leases, it means a refiner that has an operating refinery and qualifies as a small and independent refiner as those terms are defined in Sections 3(3) and 3(4) of the Emergency Petroleum

Allocation Act, 15 U.S.C. 751 *et seq.* . . . A refiner that, together with all persons controlled by, in control of, under common control with, or otherwise affiliated with the refiner, inputs domestic crude oil from its own production exceeding 30 percent of total refinery input is ineligible to participate in royalty sales under this part. [Note: In other words, to be eligible under this part, the refiner must receive at least 70 percent of his feeder stocks from unaffiliated sources.] Crude oil received in exchange for the refiner's own production is considered to be part of that refiner's own production for purposes of this section.

(2) For the purchase of royalty oil from offshore leases, it means a refiner that has an operating refinery and qualifies as a small business enterprise under the rules of the Small Business Administration (13 CFR Part 121). [Note: The SBA standard for a small business within the Petroleum Refining Industry is less than or equal to 75,000 bbl per day, and less than or equal to 1,500 employees.]

As discussed earlier and as confirmed by an "informal" survey of current program participants, we expect minimal burden from this information collection. Use of E-mail as a means of collection will reduce the burden for those with access to information technology.

6. What are the consequences to the Federal program or policy if the information is not collected or is collected less frequently; and are there technical or legal obstacles to reducing the burden?

Without feedback from interested refiners regarding their recent marketplace experience in obtaining adequate crude oil supplies and whether those supplies are fairly priced, MMS cannot perform a reasonable or meaningful Determination of Need.

7. Are there any special circumstances that require exceptions to 5 CFR 1320.5(d)(2) requiring respondents to: (i) report more often than quarterly, (ii) prepare written responses in fewer than 30 days after receipt, (iii) submit more than an original and two copies of any document, or (iv) retain records for more than 3 years?

There are no special circumstances that require exceptions to 5 CFR 1320.5(d)(2)(i) through (iv). Further, there are no special circumstances with respect to 5 CFR 1320.5(d)(2)(v) through (viii), as the collection is not a statistical survey and does not use statistical data classifications; nor does it include a pledge of confidentiality not supported by statute or regulation or require proprietary, trade secret, or other confidential information not protected by agency procedures.

8. What efforts did the agency make to consult with the public and a representative sample of respondents?

As required by 5 CFR 1320.8(d), MMS published in the Federal Register a 60-day review and comment notice on July 5, 2002 (67 FR 44875) (Attachment 2). We received no comments.

9. Will payment or gifts be provided to respondents?

No payments or gifts will be provided to the respondents.

10. What assurance of confidentiality is provided to respondents?

Commercial or financial information submitted to DOI relative to minerals removed from Federal leases may be proprietary. Trade secrets and proprietary information are protected in accordance with standards established by the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1733), the Freedom of Information Act (5 U.S.C. 552(b)(4)), and the Department regulations (43 CFR 2). Storage of such information and access to it are controlled by strict security measures.

11. Does the information collected include any questions of a sensitive nature?

None of the information requested is considered sensitive.

12. What is the estimated reporting and record keeping "hour" burden?

The annual reporting burden is 100 hours. We estimate that 25 refiners will respond and each response will require 4 hours to prepare. We estimate the burden hour cost to industry at \$5,000 (100 hours x \$50 per hour). See the table below for a breakdown of the burden by CFR section and paragraph:

30 CFR Section	Reporting or Recordkeeping Requirement	Burden hours per response	Annual number of responses	Annual burden hours
208.4(a)	The Secretary will review these items [submitted by small refiners] and will determine whether eligible refiners have access to adequate supplies of crude oil	4	25	100

30 CFR Section	Reporting or Recordkeeping Requirement	Burden hours per response	Annual number of responses	Annual burden hours
208.4(d)	<i>Interim sales.</i> The potentially eligible refiners, individually or collectively, must submit documentation demonstrating that adequate supplies of crude oil at equitable prices are not available for purchase . . .	See § 208.4(a).		

13. What is the estimated reporting and recordkeeping “non-hour” cost burden of the collection of information, excluding any costs identified in Items 12 and 14?

We have identified no reporting or recordkeeping “non-hour” cost burdens for this collection of information.

14. What is the estimated annualized cost to the Federal Government?

We estimate the total cost to the Federal Government is \$23,932, as shown below. The estimated burden to the government is based on time/effort needed to complete all data gathering requirements, analyze refiner feedback in response to this information collection, and prepare a written report to MMS senior managers delineating findings and recommendations.

1 GS-13, Step 10, FTE: 400 hrs. x \$32.50 per hr. =	\$13,000
1 GS-12, Step 10, FTE: 400 hrs. x \$27.33 per hr. =	<u>10,932</u>
Total	<u>\$23,932</u>

15. Is the agency requesting any program changes or adjustments in Items 13 and 14 of the Form OMB 83-1?

No program changes or adjustments are reported in Items 13 and 14. The currently approved burden hours in OMB’s inventory (100 hours) is the same.

16. Are there plans for tabulation and publication of the results of the information collection?

The results of the information collection will be presented to MMS management, and will be used as the basis for conducting RIK sales. Overall results will be available to the respondents and to the public in general. The results will be referenced in a Federal Register “Notice of Availability of Royalty Oil” should MMS decide to conduct future RIK sales. We will not use any complex analytical techniques.

17. Is the agency seeking approval to not display the expiration date?

No. The expiration date for OMB approval of the information collection will be included in our Federal Register notice.

18. Is the agency requesting exceptions to the certification statement in Item 19 of Form OMB 83-I?

To the extent the topics apply to this collection of information, we are not requesting exceptions to the "Certification of Paperwork Reduction Act Submissions."

B. Collection of Information Employing Statistical Methods

This section is not applicable. We will not employ statistical methods in this information collection.